

IN THE MATTER OF:)
)
The Proposed Acquisition of Royal)
Indemnity Company, a Delaware domiciled)
property/casualty insurance company,)
Security Insurance Company of Hartford, a) Docket No. 313
Delaware domiciled property/casualty)
insurance company, Guaranty National)
Insurance Company, a Delaware domiciled)
property/casualty insurance Company, and)
Royal Surplus Lines Insurance Company, a)
Delaware-domiciled property/casualty)
insurance company by Arrowpoint Capital)
Corp., a Delaware Corporation, and)
Arrowpoint Capital, LLC, a Delaware limited)
liability company, John Tighe, Sean Beatty)
and Dennis W. Cahill)

1. Closing of the transaction shall not occur before five business days following the date of this FINAL ORDER;
2. \$287.5 million in cash must be received by Royal Indemnity Company at or before closing of the transaction;
3. No dividends and/or other distributions may be paid by the Insurers to the acquirers without prior Department approval;
4. Management compensation must be approved by the Department;

5. Any changes to existing agreements with current affiliated entities must be approved by the Department;
6. The sale or distribution of insurance subsidiary assets, not in the ordinary course of business, must be approved by the Department;
7. Any changes to the existing letters of credit must be approved by the Department;
8. Any arrangements to engage in administrative or management activities with third parties requires approval by the Department;
9. After the transaction closes, any proposed commutations of existing aggregate excess of loss agreements to which the insurers are party must be on terms favorable to RIC;
10. The stock of the insurance companies may not be pledged without Department approval;
11. The applicants may not change the terms of the subordinated notes payable without Department approval;
12. Any proposed changes to the current business plan, including entering into new reinsurance arrangements requires prior Department approval;
13. Any changes to existing reinsurance agreements must be approved by the Department.

14. The Companies will reimburse the Department for employment of a Department appointed Claims Monitor, who, will among other responsibilities, be available to receive and act upon Policyholder complaints. Additionally, the Claims Monitor will, among other responsibilities, track indemnity reserve adequacy, monitor litigation management, review claims denials, monitor claims staffing levels, perform ongoing analysis and measurement of claims initiatives, monitor benchmark projected versus actual statistical data, identify and assess new exposures, and assess all extra contractual and bad faith claims. Additionally, the Claims Monitor will encourage and oversee the Companies good faith participation in alternative dispute resolution forums for disputed Policyholder claims.
15. All applicable Royal UK affiliates shall not interpose the defense of lack of personal jurisdiction, in any action commenced in Delaware Courts by Policyholders seeking to resolve claims arising from those policies;
16. All applicable Royal UK affiliates shall consent to and not oppose the continued jurisdiction of the Delaware Department of Insurance, including with respect to the imposition and applicability of the State's unfair insurances practices statutes, with respect to policyholder obligations and obligations it has made as a part of this transaction;

17. These conditions and the Final Order are subject to further orders, sanctions and proceedings as circumstances may require and are subject to further modification, amendment or supplementation and further review either sua sponte by the Commissioner or by motion of a Party;
18. Applicants and Royal UK affiliates shall continue to be subject to the jurisdiction of the Delaware Department of Insurance for the purpose of implementing and enforcing the terms of the these conditions and this Final Order.